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Weekly Intelligence Summary No. 17

Auth: DDA Memo, 4 Apr 77
Date: MAR 18 By: 028

DDA REG. 77-1763, 1948

SECTION I. SUMMARY OF TRENDS AND DEVELOPMENTS

Although a British-operated Iranian company, Eagle Airlines, will inaugurate air services in Iran on 26 June, the serious implications of possible Soviet control of Iranian Airways remain unchanged.

The UK will not ratify the UK-Czechoslovak air agreement pending study of US air policy towards the Satellite States.

Czechoslovakia's enthusiasm for the recent agreement with Poland whereby inland water traffic is now diverted from Hamburg to Stettin, appears to be cooling. It is apparent that advantages to be gained through use of Stettin are offset by shortage of storage space and facilities and the fact that Stettin is not a major port of call for Western shipping.

Another step toward complete nationalization of the Argentine merchant marine appears in the making.

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SECTION XI. CURRENT DEVELOPMENTS

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Eagle Airlines will inaugurate services in Iran on 26 June. This Iranian company will employ British personnel for operations and management. (British-made Dove air transports, selected for use, have proved to be good all-purpose aircraft though not as large as the DC-3s of Iranian Airways.) The activation of Eagle Airlines does not alter the serious implications of possible Soviet control of Iranian Airways (see Weekly P/T Summary No. 15, 8 June.) The re-entry of Western interests, however, into Iranian commercial aviation will: (1) permit closer scrutiny of Soviet moves; and, (2) end the present total dependence upon the unstable Iranian Airways.

The UK has decided to delay ratification of the UK-Czechoslovak air agreement signed last fall. This agreement granted the Czech routes from Prague to London; Prague to the UK and points beyond, across the North Atlantic; and rights through UK territories in the Middle East along the route to India. The agreement was ratified by the Czechoslovak Government shortly after the Communist coup d'etat. Although the bi-lateral pact provided that the contemplated services would be initiated as far as practicable prior to ratification, the UK has joined with the US in stimulating resistance, among countries along the route, to Czechoslovak operation of scheduled services from Prague through the Middle East to India.

Czechoslovakia has succeeded, however, in developing a considerable amount of air traffic, both in passengers and freight, with Eastern-Mediterranean countries. Since the British evacuation of Palestine, Czechoslovak air operations through Athens have greatly increased and include daily round trips to Haifa as well as occasional flights to Istanbul and Cairo.

Czechoslovakia, furthermore, may attempt to extend existing routes, claiming the right to overfly and make non-commercial landings in territory of states signatory to the International Air Services Transit Agreement. (This agreement was ratified by the US and UK as well as by Czechoslovakia.) The UK, however, despite such contentions by Czechoslovakia, will continue to find excuses and raise technicalities in order to prevent Czechoslovakia's expansion through the Middle East pending study of US air policy towards the Satellite States. (A long range US air policy vis-a-vis those countries has been under review for some time and is expected to be made known shortly.)

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[Redacted] US merchant vessels totaling about 240,000 deadweight tons have been sold to Argentina since the end of the war. Argentina, moreover, has placed orders in several European countries for ships in exchange for commodities such as beef and wheat. Completion of the present program of acquisitions will raise the Argentine fleet to the level of Brazil, her leading competitor in Latin American shipping activities. (The merchant fleet of Panama, while larger than either Brazil or Argentina, is largely absentee-owned and is not used as an instrument of national policy as is that of Argentina and Brazil.)

Argentina is determined to dominate Latin American maritime operations and free herself from dependence upon foreign shipping. (The UK was the principal carrier of Argentine goods prior to the war.) The recently declared policy of restricting Argentine trade to Argentine bottoms, insofar as possible, is an expression of this determination.

The Argentine decision to expand its merchant marine includes recognition of: (1) the valuable weapon such a fleet could provide for political domination of neighboring states needing shipping space for their trade; and, (2) the value of a powerful merchant fleet in the event of European hostilities. (The Peron administration is probably determined to profit materially as a neutral carrier of goods essential to the belligerent countries.)

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